

**342.823 Discounting not to be used in determining solvency -- Authority's reports -
- Annual statement of solvency -- Circumstances permitting contract audit
with certified public accountant -- Discretionary levy and enforcement of
assessments.**

- (1) In determining the solvency of the authority in regard to maintaining adequate reserves, the executive director of insurance, the independent accountant engaged for the annual audit, and the board, in exercising its prudent stewardship, shall not utilize the practice of "discounting" the funds to reduce future liabilities, except in conformity with standards or rules promulgated by the National Association of Insurance Commissioners.
- (2) The authority shall file reports required by KRS 304.3-240.
- (3) The authority shall file a report not later than March 31 of each year indicating the business done by the authority during the previous year, including a balance sheet showing assets and liabilities at the beginning and conclusion of that year. The report shall be a public record and shall be delivered to the Governor, executive director of insurance, Auditor of Public Accounts, Attorney General, and the co-chairs of the Legislative Research Commission. Additionally, a statement of solvency shall be prepared which shall include, at a minimum:
 - (a) A summary of the prior quarterly reports required in KRS 342.821;
 - (b) A management projection of the future solvency status for the authority; and
 - (c) Any recommendations pertaining to the same.
- (4) The authority shall not enter into any contract with a certified public accountant for an audit unless the Auditor of Public Accounts has declined in writing to perform the audit or has failed to respond within thirty (30) days of receipt of a written request for an audit. Any contract with a certified public accountant entered into as a result of the Auditor of Public Accounts declining to perform the audit shall specify the following:
 - (a) That the certified public accountant shall forward a copy of the audit report and management letters to the Auditor of Public Accounts, Attorney General, and Legislative Research Commission; and
 - (b) That the Auditor of Public Accounts shall have the right to review the certified public accountant's work papers.
- (5) If at any time the assets of the authority are less than its liabilities, the board may levy an assessment on its policyholders in the manner provided in Subtitle 24 of KRS Chapter 304.

Effective: July 15, 1998

History: Amended 1998 Ky. Acts ch. 361, sec. 6, effective July 15, 1998. -- Amended 1996 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 43, effective December 12, 1996. -- Created 1994 Ky. Acts ch. 181, Part 12, sec. 50, effective April 4, 1994.

Legislative Research Commission Note (6/20/2005). 2005 Ky. Acts chs. 11, 85, 95, 97, 98, 99, 123, and 181 instruct the Reviser of Statutes to correct statutory references to agencies and officers whose names have been changed in 2005 legislation confirming the reorganization of the executive branch. Such a correction has been made in this section.